

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
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STR-07 CEA-01 PA-02 /107 W  
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FM AMCONSUL SAO PAULO  
TO AMEMBASSY BRASILIA  
INFO SECSTATE WASHDC 8762  
AMCONSUL RIO DE JANEIRO

UNCLAS SAO PAULO 2443

E.O. 11652: N/A  
TAGS: ECON, BR  
SUBJECT: BRAZILIAN MOTOR VEHICLE PRODUCTION OF ONE MILLION FORECASTED FOR 1978.

1. SUMMARY: FORD MOTOR COMPANY EXECUTIVE PREDICTS THAT BRAZILIAN AUTOMOTIVE PRODUCTION (PASSENGER CARS, TRUCKS, AND BUSSES) WILL REACH ONE MILLION UNITS IN 1978. PRODUCTION STATISTICS, DEALER SALES REPORTS AND COMMENTS FROM OTHER INDUSTRIALISTS SUBSTANTIATE THE FORECAST. END SUMMARY

2. JOSEPH O'NEILL, PRESIDENT OF THE FORD MOTOR COMPANY'S BRAZILIAN SUBSIDIARY, PREDICTS THAT BRAZIL WILL PRODUCE ONE MILLION MOTOR VEHICLES THIS YEAR, REPRESENTING AN INCREASE OF NINE PERCENT COMPARED TO 1977. IN A FOLHA DE SAO PAULO ARTICLE OF AUGUST 16, WHICH QUOTED THE FORD EXECUTIVE, IT WAS POINTED OUT THAT THIS INCREASE WAS WELL ABOVE PREVIOUS GOB FORECASTS. O'NEILL NOTED THAT THE GOB ESTIMATED ONLY A 5 PERCENT GROWTH IN DEMAND FOR PASSENGER CARS WHICH HE SAID, HAD BEEN UNDER GOVERNMENT RESTRAINT FOR TWO AND A HALF YEARS.

3. FROM 930 TO 940 THOUSAND VEHICLES (93 TO 94 PERCENT OF TOTAL  
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PRODUCTION) WILL BE SOLD IN THE DOMESTIC MARKET WHILE THE REMAINDER WILL BE EXPORTED. EXPORTS NOW REPRESENT 15 PERCENT OF THE INDUSTRY'S TOTAL SALES RECEIPTS. O'NEILL NOTED THAT WHILE PASSENGER AUTOMOBILE SALE HAVE INCREASED SUBSTANTIALY THIS YEAR, SALES OF HEAVY TRUCKS HAS FALLEN FROM 14 TO 17 PERCENT.

4. THE ARTICLE COMMENTS THAT IF O'NEILL FORECAST IS CONFIRMED, THIS

WILL BE THE FIRST YEAR THAT THE AUTOMOTIVE INDUSTRY WILL HAVE REALIZED THE GOAL TO PRODUCE ANNUALLY ONE MILLION MOTOR VEHICLES THAT IT HAS PURSUED SINCE 1976. IN THAT YEAR, IT IS NOTED, THE INDUSTRY NARROWLY MISSED ITS GOAL WHEN SOME OVERCONFIDENT MANUFACTURERS DECLARED COLLECTIVE HOLIDAYS ON DECMBER 15, 1976. THE INDUSTRY, IT IS SAID, COULD HAVE EASILY PRODUCED THE LESS THAN 15,000 VEHICLES NEEDED TO HAVE BOOSTED THE 1976 PRODUCTION FIGURES FROM THE 985,469 NOW REGISTERED TO THE ONE MILLION MARK. IN THE FOLLOWING YEAR, BECAUSE OF THE ECONOMIC SLOWDOWN, THE INDUSTRY SUFFERED A 9 PERCENT RETRACTION, PRODUCING STATISTICS, REPORTS FROM DEALERS AND OBSERVATIONS MADE TO CONGEN OFFICERS BY OTHER ASSOCIATED WITH THE INDUSTRY SUPPORT THE FORECAST FOR ONE MILLION. FOR THE FIRST SEVEN MONTHS OF THIS YEAR ESTIMATED PRODUCTION STANDS AT 600,843 OR 1.2 AND 15.8 PERCENT HIGHER THAN THE FIRST SEVEN MONTHS FIGURES FOR 1976 AND 1977 RESPECTIVELY. BREAKDOWN OF 1978 PRODUCTION FIGURES AND COMPARATIVE GROWTH RATES WITH 1977 FOLLOWS: PASSENGER AUTOMOBILES, 309,286, UP 17.2 PERCENT; UTILITY VEHICLES, PICKUPS, ETC., 233-969, UP 20 PERCENT; TRUCKS, 49,958, DOWN 16.2 PERCENT; AND, BUSSES 8,243 UP 3.8 PERCENT. WEEKLY REPORTS FROM SAO PAULO CAR DEALERS FOR THIS YEAR THROUGH MIDE-AUGUST SHOW ALMOST UNIFORMLY GOOD TO EXCELLENT SALES PERFORMANCE, AND EXPECTATIONS THAT THE UPWARD SALES TREND WILL CONTINUE. AN ECONOMIST FROM GENERAL MOTOR'S BRAZILIAN SUBSIDIARY WAS NOT SO OPTIMISTIC AS O'NEILL - HE PREDICTED A FALL IN SALES AND PRODUCTION DURING THE SECOND HALF - BUT STILL PREDICTED THAT PRODUCTION WILL CLOSELY APPROACH ONE MILLION THIS YEAR AND MOST CERTAINLY WOULD PASS THE THE MARK NEXT YEAR. ON THE OTHER HAND, THE UNCLASSIFIED

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PRESIDENT OF A U.S. TIRE MANUFACTURER'S BRAZILIAN SUBSIDIARY SAW NO REASON WHY THE AUTOMOTIVE INDUSTRY SHOULD NOT REACH ITS ONE MILLION GOAL.  
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## Message Attributes

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